



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0442	Title:	Revise motor vehicle fees for quality educator cars for kids payment
Primary Sponsor:	Stahl, Wayne	Status:	As Introduced

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$3,840	\$0	\$2,639,019	\$2,642,062
State Special Revenue	\$0	\$0	\$48,170,898	\$48,227,251
Revenue:				
State Special Revenue	\$23,025,553	\$46,945,203	\$48,060,822	\$47,854,011
Other (Pension Trust)	\$0	\$0	\$1,083,845	\$1,085,113
Net Impact-General Fund Balance:	<u>(\$3,840)</u>	<u>\$0</u>	<u>(\$2,639,019)</u>	<u>(\$2,642,062)</u>

Description of fiscal impact: HB 442 provides a "Quality Educator Cars for Kids" payment to entities that receive a quality educator payment under 20-9-327, MCA. The revenue for the payment would be generated by imposing an additional \$45 registration fee on certain vehicles, as described in 61-3-321(20), MCA (new section). Interest collected on the registration fees would also be included in the payment which is estimated to be \$48 million per year. There will be a state general fund cost of \$2.4 million each year for the state GTB portion of county retirement as well as teacher retirement.

FISCAL ANALYSIS

Assumptions:

Department of Justice

1. A new fee of \$45.00 will be added to the current registration fees for each light vehicle, trailer, semitrailer, pole trailer, heavy truck, motor home, motorcycle, quadricycle, and travel trailer registered in Montana.
2. In CY 2007 there were 997,154 eligible vehicle registrations. Vehicle registrations are projected based on the CY weighted FY HJR 2 and OBPP growth estimates.
3. The bill requires that the interest earnings on the HB 442 collections be paid to school districts by December 1 each year. For the purpose of estimating interest earnings, it is assumed that monthly registrations are distributed evenly through the calendar year. Projected LFD/OBPP fiscal year short-term

investment pool (STIP) yield rates are applied to the monthly collections. Subsequent to the calendar year collections STIP interest rates are applied to the monthly balances through November of the following year until payments are made prior to December 1 of the calendar year follow the collections of the fees.

4. Payments are assumed to be made at the end of November of the calendar year subsequent to the year of fee collection. The results of assumptions one (1) through four (4) are presented in the following table:

HB 442: Estimated Vehicle Registrations, HB 442 Fee Collection, Interest Earnings and Estimated Payments

	CY 2007						
	(Base)	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013
Fiscal Year Growth Rate (HJR 2/OBPP)		6.43%	1.63%	-1.33%	-2.33%	-0.71%	-0.90%
Calendar Year Growth Rate		4.03%	0.15%	-1.83%	-1.52%	-0.80%	-0.91%
Estimated Number of Vehicle Registrations	997,154	1,037,324	1,038,851	1,019,803	1,004,261	996,178	987,143
Quality Educator Cars for Kids Fee (per registration)				\$45.00	\$45.00	\$45.00	\$45.00
Collections				\$45,891,132	\$45,191,765	\$44,828,003	\$44,421,417
				FY 2010	FY 2011	FY 2012	FY 2013
Projected short-term interest investment pool (STIP) yield				1.68%	3.20%	4.87%	5.18%
Estimated HB 442 Payments							
Prior Calendar Year HB 442 Fee Collections						\$45,891,132	\$45,191,765
Interest earnings on HB 442 Collections						\$2,279,765	\$3,035,486
HB 442 Quality Educator Cars for Kids Payments						\$48,170,898	\$48,227,251

5. The revenue will accrue under HB 442 on a fiscal year basis starting January 1, 2010 (FY 2010) based on fiscal year registrations. The revenue is presented in the following table:

HB 442 Fiscal Year Receipts				
	FY 2010	FY 2011	FY 2012	FY 2013
Estimated FY Vehicle Registrations	509,901	1,012,032	1,000,220	991,660
HB 442 Fee	\$45.00	\$45.00	\$45.00	\$45.00
HB 442 Revenue	\$22,945,566	\$45,541,449	\$45,009,884	\$44,624,710

6. The accumulated interest earnings on fiscal year receipts are presented by fiscal year in the following table:

HB 442: Estimated Interest Earnings by Fiscal Year			
FY 2010	FY 2011	FY 2012	FY 2013
\$79,987	\$1,403,754	\$3,050,938	\$3,229,301

7. Programming of the motor vehicle licensing system (MERLIN) is necessary to add the new fee calculations and revenue distribution.
8. It is assumed that Justice Information Technology Services Division will contract the programming changes to Bearing Point. The programming, configuration, and testing is estimated to cost \$3,840 [24 hours * \$160.00/hour = \$3,840].
9. HB 442 is one of several bill drafts that seek to modify motor vehicle laws and therefore MERLIN. The fiscal note for each bill will be prepared based on the effect of the individual bill. However, when viewed as a package, the cumulative effect of passage of more than one bill would require additional analysis and may provide opportunities to share or redistribute costs.

Office of Public Instruction

10. The fees and interest on the fees accrued each calendar year are to be distributed to the eligible entities, the Office of Public Instruction, the Montana school for the deaf and blind, the department of corrections, and the department of military affairs for payment to entities entitled to receive a quality educator payment under 20-9-327.
11. It is assumed that the quality educator cars for kids payment will be based on the same count of full-time equivalent (FTE) educators as the quality educator payment for the current school year. In other words, the FTE count in one year will generate both the quality educator payment and the quality educator cars for kids payment in the ensuing school year.
12. The number of FTE generating the quality educator payments for the various entities in this bill is estimated to be:

	<u>FTE</u>
K-12	12,590
School for the Deaf and Blind	41
Corrections	20
MT Youth Challenge	<u>5</u>
Total FTE	12,656

13. These revenues may not to be considered part of a school district's BASE budget as defined in 20-9-306, MCA, but will be distributed to the school district miscellaneous programs fund.
14. HB 442 requires the revenue be distributed to the quality educator payment in 20-9-327, MCA. The distribution would be approximately \$3,800 per FTE by December 1 each year.
15. It is estimated there will be additional school district general fund retirement costs. The increased retirement expense is estimated by determining the amount of increase distributed to schools multiplied by the percentage of the general fund budget that is typically used for salaries (75% salaries) to determine the increase to salaries associated with this bill.
16. Estimated benefit rate is 15% based upon FY 2008 employer contribution rates:

	<u>Certified Staff</u>	<u>Classified Staff</u>
TRS	7.47%	
PERS		6.90%
FICA	6.20%	6.20%
Medicare	1.45%	1.45%
Unemployment	0.02%	0.02%
Totals	15.14%	14.57%

17. Based on budget data from FY 2008, on the marginal, the state pays retirement guaranteed tax base aid (GTB) of approximately 28% of countywide retirement tax levy.
18. Estimated cost to the state and county for teacher retirement related to additional funding school districts receive due to this bill:

Fiscal Year	Estimated Additional Salaries	Estimated Benefit Rate	Retirement Cost	State Share	County Share
2010	\$0	15%	\$0	\$0	\$0
2011	\$0	15%	\$0	\$0	\$0
2012	\$36,128,174	15%	\$5,419,226	\$1,517,383	\$3,901,843
2013	\$36,170,438	15%	\$5,425,566	\$1,519,158	\$3,906,407

19. It is estimated that state retirement GTB costs will increase by \$1.5 million per year beginning in FY 2012.

Department of Administration

20. Two statutory appropriations are impacted by this bill. 19-20-604, MCA, requires 0.11% and 19-20-607, MCA, requires 2.38% of teachers salaries to be contributed by the state general fund to the Teachers Retirement System (TRS) to provide additional employees' share of retirement to fund the actuarial shortfall. The cost to the state general fund is 2.49% (2.38% + 0.11%) of local salaries shown in the following table.

	<u>Rate</u>	<u>FY 2010</u>	<u>FY 2011</u>
<u>Salaries</u>		\$36,070,455	\$36,070,455
19-20-604, MCA	0.11%	\$39,678	\$39,678
19-20-607, MCA	2.89%	<u>\$1,042,436</u>	<u>\$1,042,436</u>
		\$1,082,114	\$1,082,114

Montana School for the Deaf and Blind, Corrections, and Department of Military Affairs

21. SB 442 includes the Montana School for the Deaf and Blind, Corrections at Pine Hills and Riverside, and Department of Military Affairs for the Montana Youth Challenge Program as some of the recipients of funding created by the bill.

		FY 2012	FY 2013
		Increased Educator Payment	Increased Educator Payment
	<u>FTE</u>	<u>(Including applicable retirement)</u>	<u>(Including applicable retirement)</u>
MSDB	41	\$179,607	\$179,607
Corrections	20	\$88,274	\$88,274
MT Youth Challenge	<u>5</u>	<u>\$21,850</u>	<u>\$21,850</u>
Total	66	\$289,731	\$289,731

22. HB 442 makes the payments under section 1, funded with the fee in 61-3-321(20), MCA, a statutory appropriation. 17-1-508, MCA requires analysis of the statutory appropriation relative to the guidance in 17-1-508 (2), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines:

	<u>YES</u>	<u>NO</u>
a. The fund or use requires an appropriation.	Yes	
b. The money is not from a continuing, reliable, and estimable source.		No
c. The use of the appropriation or the expenditure occurrence is not predictable and reliable.		No
d. The authority does not exist elsewhere.	Yes	
e. An alternative appropriation method is not available, practical, or effective.	Yes	
f. Other than for emergency purposes, it does not appropriate money from the state general fund.	Yes	
g. The money is dedicated for a specific use.	Yes	
h. The legislature wishes the activity to be funded on a continual basis.	Yes	
i. When feasible, an expenditure cap and sunset date are included.		No

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
Department of Justice				
<u>Expenditures:</u>				
Operating Expenses	\$3,840	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$3,840	\$0	\$0	\$0
<u>Revenues:</u>				
State Special Revenue (02) Fee	\$22,945,566	\$45,541,449	\$45,009,884	\$44,624,710
State Special Revenue (02) Interest	\$79,987	\$1,403,754	\$3,050,938	\$3,229,301
TOTAL Revenues	<u>\$23,025,553</u>	<u>\$46,945,203</u>	<u>\$48,060,822</u>	<u>\$47,854,011</u>
Department of Administration				
<u>Expenditures:</u>				
Budgeted Transfer	\$0	\$0	\$1,083,845	\$1,085,113
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$1,083,845	\$1,085,113
<u>Revenues:</u>				
Other (09) Pension Trust	\$0	\$0	\$1,083,845	\$1,085,113
Office of Public Instruction				
<u>Expenditures:</u>				
Local Assistance (Cars for Kids)	\$0	\$0	\$47,918,958	\$47,975,311
Local Assistance (Retirement GTB)	\$0	\$0	\$1,517,383	\$1,519,158
Personal Services (MSDB, Corrections, Military Affairs)	\$0	\$0	\$289,731	\$289,731
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$49,726,072</u>	<u>\$49,784,200</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$1,555,174	\$1,556,949
State Special Revenue (02)	\$0	\$0	\$48,170,898	\$48,227,251
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$49,726,072</u>	<u>\$49,784,200</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$3,840)	\$0	(\$2,639,019)	(\$2,642,062)
State Special Revenue (02)	\$23,025,553	\$46,945,203	(\$110,076)	(\$373,240)
Other (09) Pension Trust	\$0	\$0	\$1,083,845	\$1,085,113

Effect on County or Other Local Revenues or Expenditures:

1. The increase to school district for the quality educator cars for kids payment is fully funded by the state and deposited to the school district miscellaneous programs fund thus not affecting the district general fund budget. However, the increase in the quality educator cars for kids payment may increase the county retirement fund local property taxes by \$3.9 million per year beginning in FY 2011.

Technical Notes:

Department of Justice

1. According to 15-1-504(3), MCA, the county treasurers remit all state monies collected for motor vehicle related transactions to the Department of Justice for deposit with the State Treasurer. Section 3 amends 61-3-321 adding subsection 20. The current bill language in Section 3 (20)(b) directs the Department of Revenue to deposit the fee imposed under this bill. This should be amended to direct the Department of Justice which is the agency responsible for motor vehicle fee collections.
2. Section 2 amends 17-7-502(3), MCA, adding 61-3-321 which is “Registration fees of vehicles and vessels -- certain vehicles exempt from registration fees -- disposition of fees.” and Section 1 of this bill is the part of the bill that should be contained in the statutory appropriation law.

Sponsor's Initials

Date

Budget Director's Initials

Date

**Dedication of Revenue 2011 Biennium**GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

17-1-507-509, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**
This revenue is dedicated to public school districts for support of public education. All Montanans benefit from the education of K-12 students.
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**
It is dedicated to a single purpose and does not compete with other general fund demands. In addition, the public would be informed of the use of the monies.
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**
Yes, motor vehicle fees are currently used to fund public school and local government services.
- d) **Does the need for this state special revenue provision still exist? ☒ Yes ☐ No (Explain)**
This revenue will provide funding to help support school districts recruitment and retention of highly qualified teachers.
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**
This dedicated revenue does not affect the legislature's ability to scrutinize budgets, control expenditures, or establish spending priorities. It is an expanded revenue source.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**
Yes, it supports school districts in their efforts to ensure quality public schools by recruiting and retaining qualified staff.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**
No effect on efficiencies. The monies will be distributed to school districts and deposited in the miscellaneous programs fund.